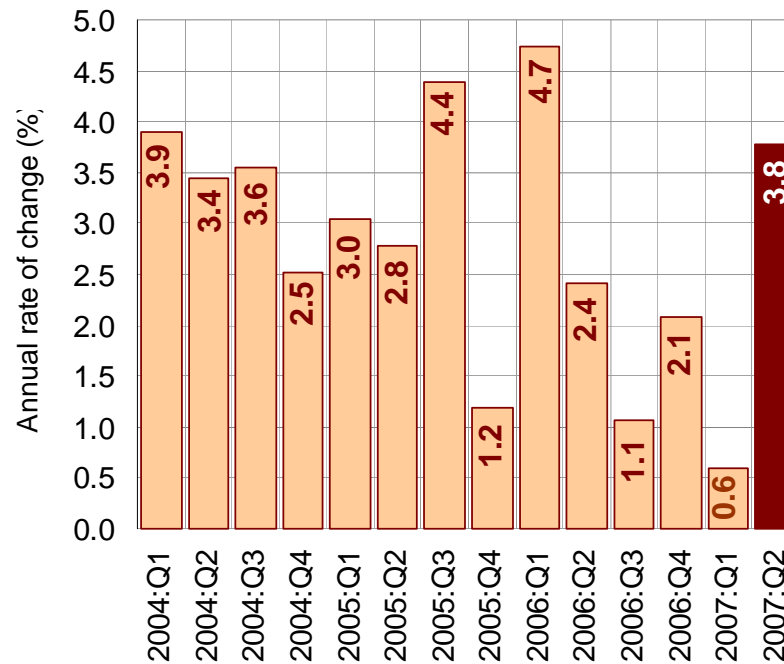


# **ECONOMIC UPDATE**

**LMID Advisory Group Meeting  
October 25, 2007**

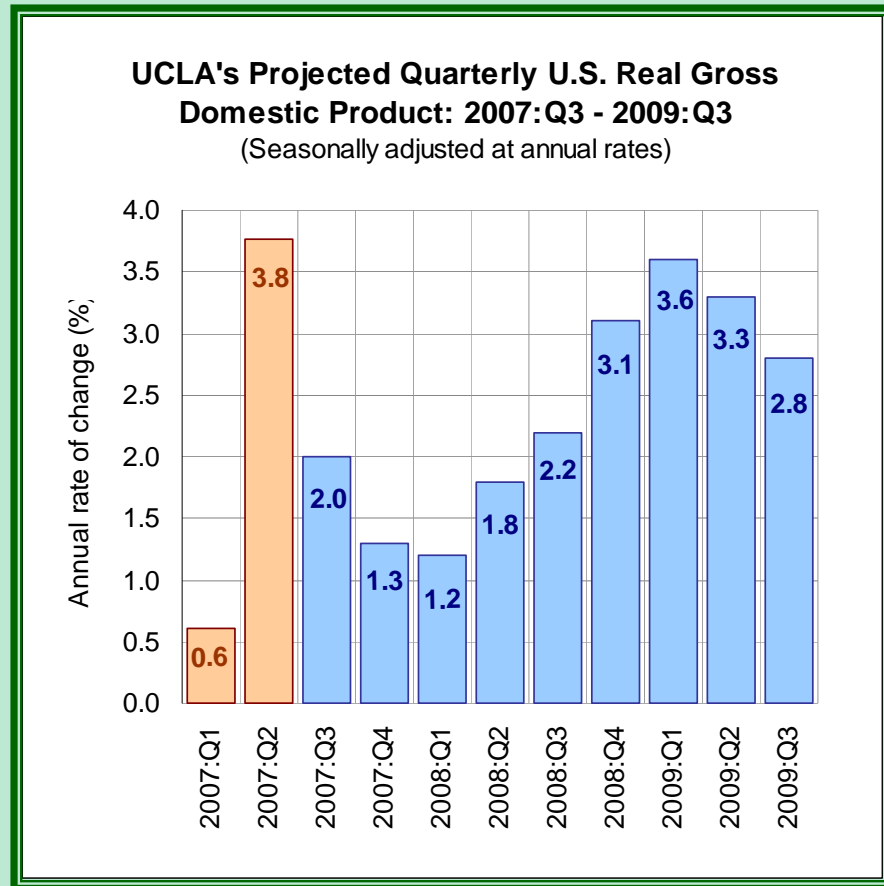
# U.S. Economy

**Quarterly U.S. Real Gross Domestic Product, 2004:Q1 - 2007:Q2**  
(Seasonally adjusted at annual rates)

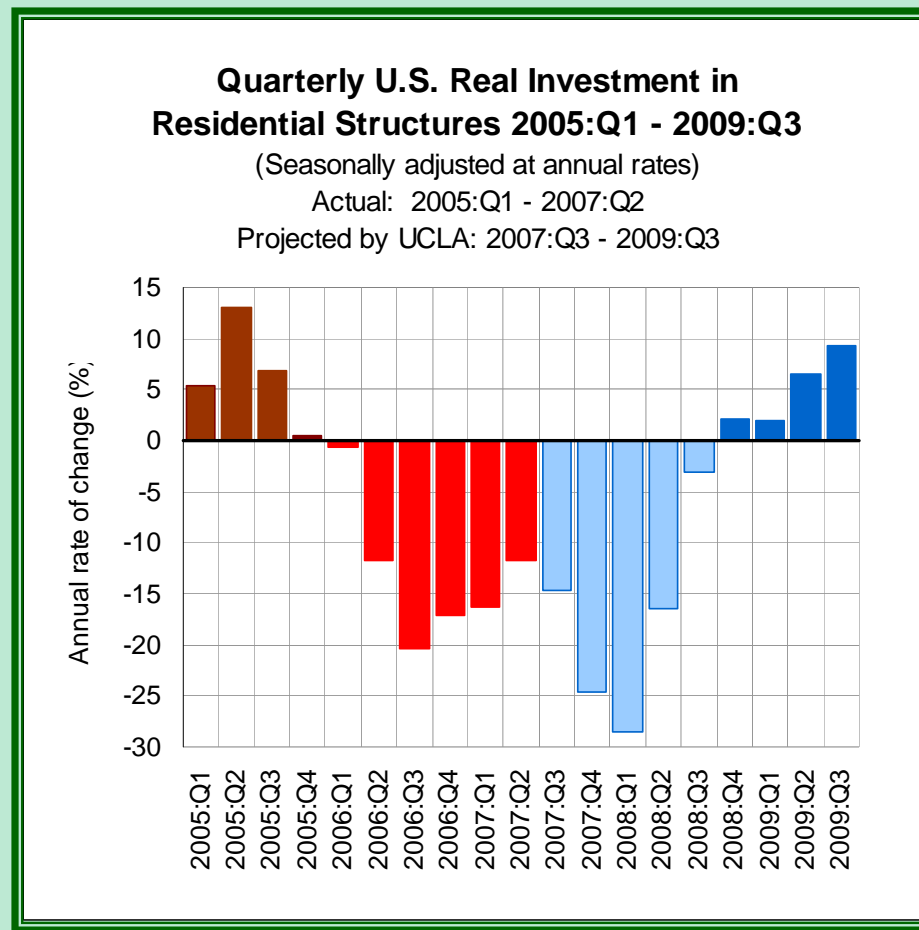


# U.S. Outlook

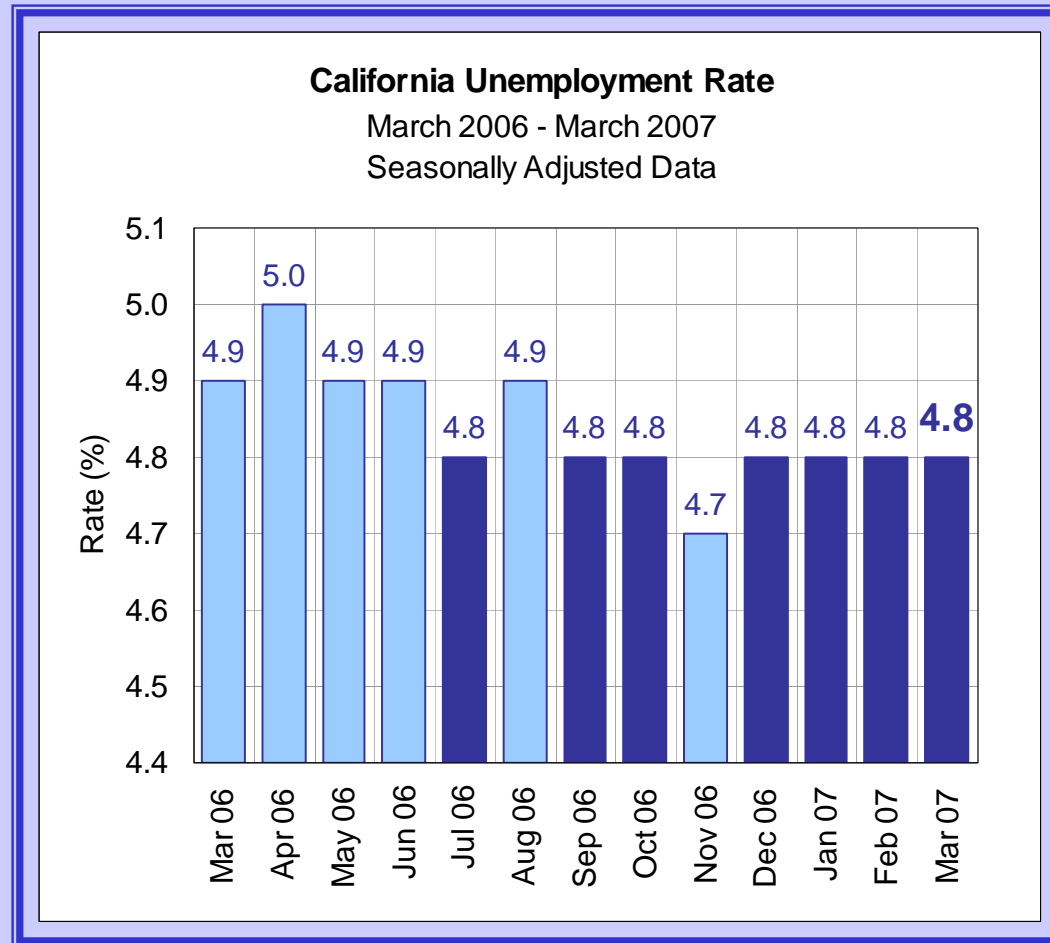
- UCLA predicts slow growth though fall of 2008, recovery thereafter. No recession.



- Housing (including the mortgage industry) will be a drag on the U.S. and California economies through much of 2008.

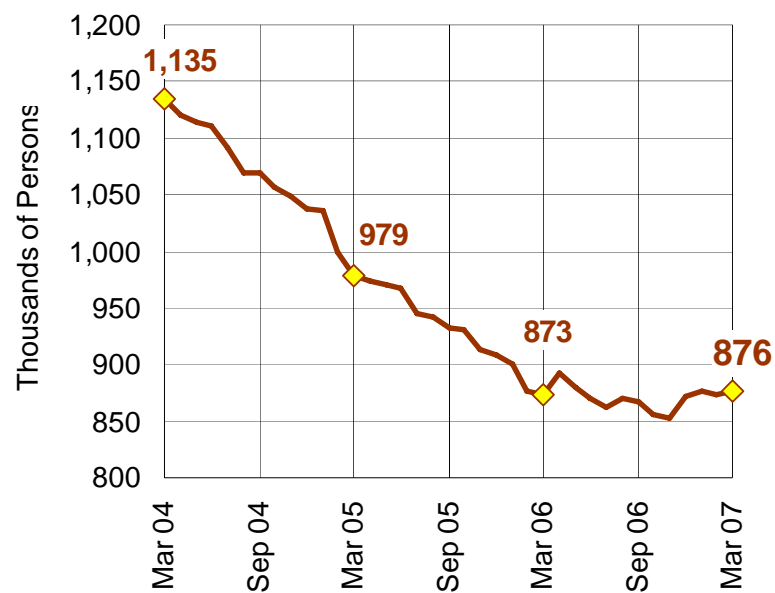


## From April 26, 2007 Presentation

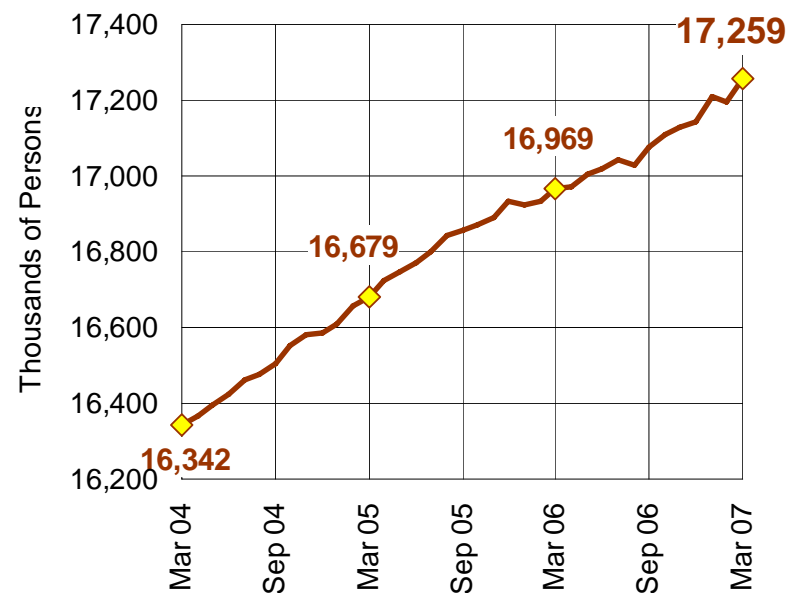


# From April 26, 2007 Presentation

**California Civilian Unemployment  
Three-Year Trend**  
March 2007; Seasonally Adjusted Data



**California Civilian Employment  
Three-Year Trend**  
March 2007; Seasonally Adjusted Data

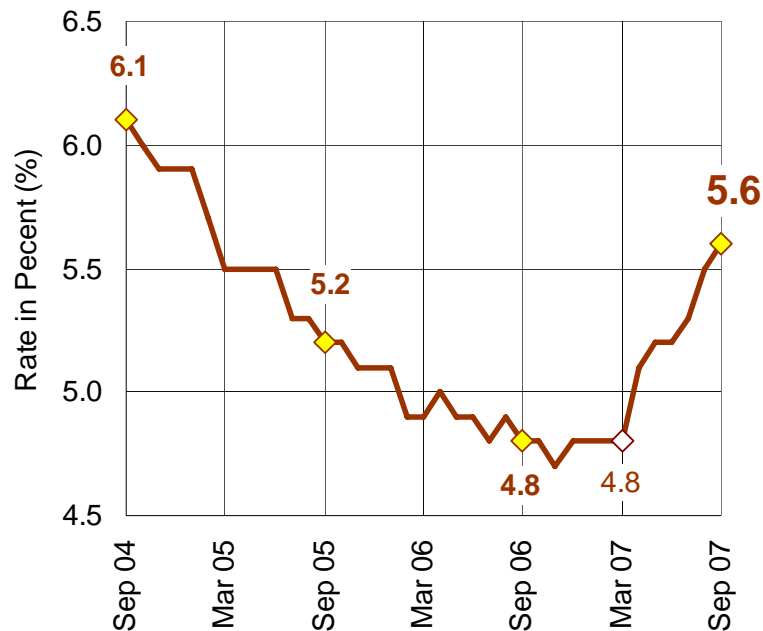


# California Current Trends

## Unemployment Rate

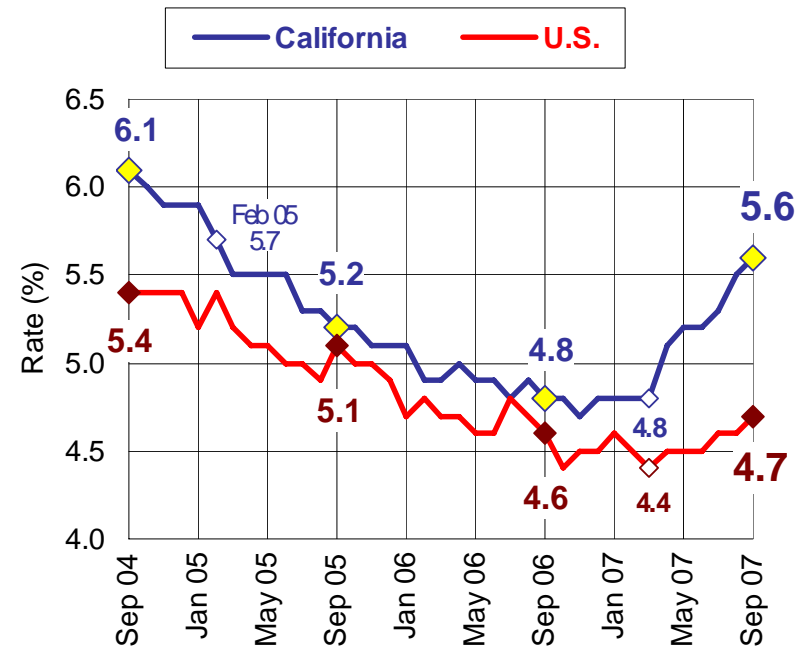
**California Unemployment Rate  
Three-Year Trend**

September 2007; Seasonally Adjusted Data



**Three-Year Trend in California and U.S.  
Unemployment Rates**

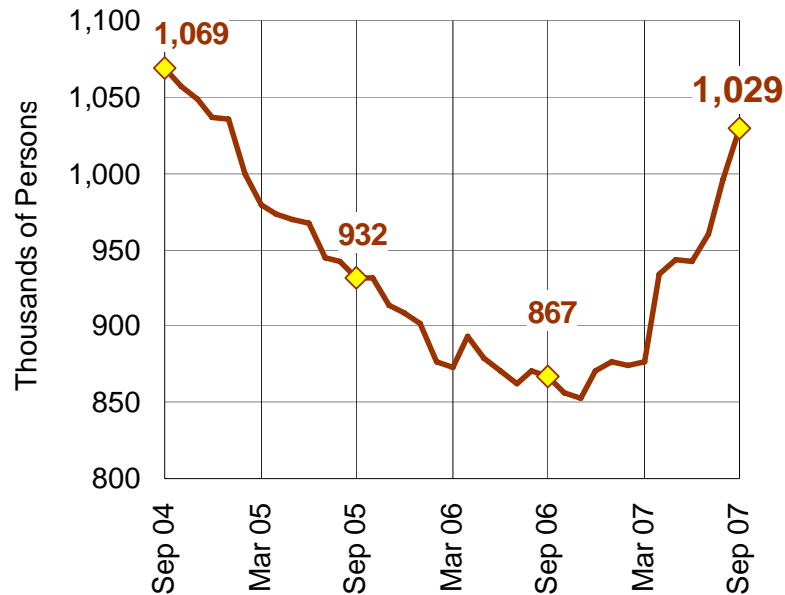
September 2007; Seasonally Adjusted Data



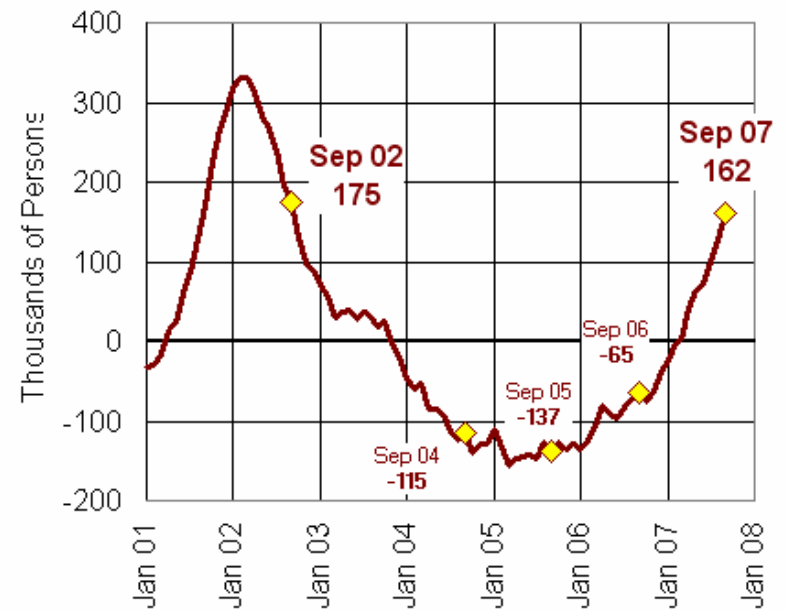
# California Current Trends

## Civilian Unemployment

**California Civilian Unemployment  
Three-Year Trend**  
September 2007; Seasonally Adjusted Data



**Year-Over Change in California Civilian  
Unemployment Since 2001**  
September 2007; Seasonally Adjusted Data

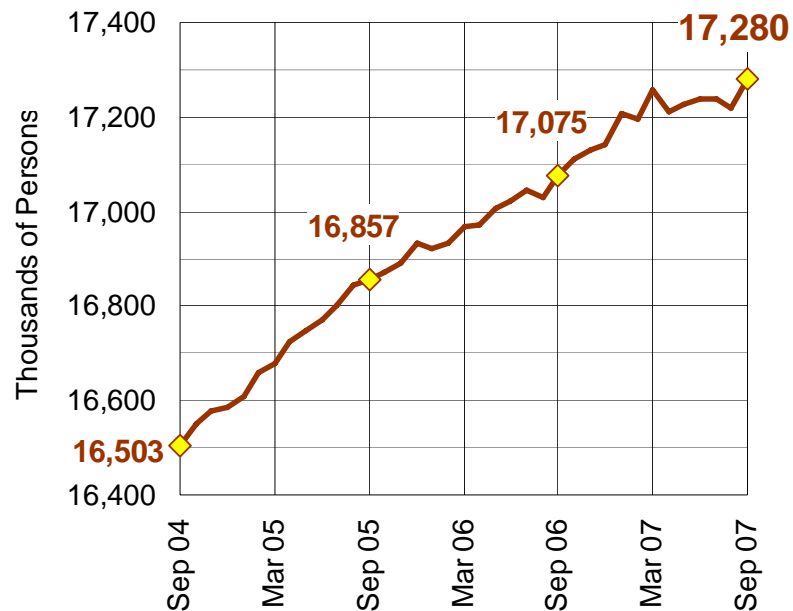


# California Current Trends

## Civilian Employment

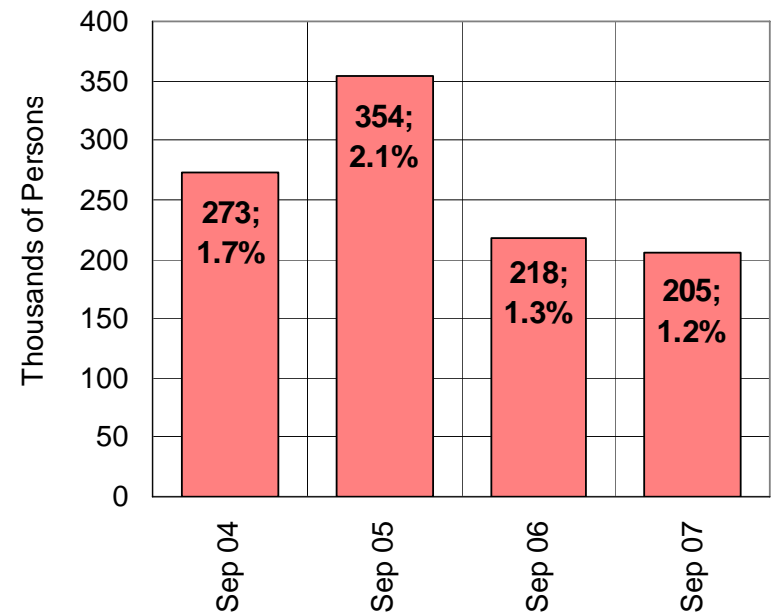
**California Civilian Employment  
Three-Year Trend**

September 2007; Seasonally Adjusted Data



**Year-Over Changes in California  
Civilian Employment**

September 2007; Seasonally Adjusted Data

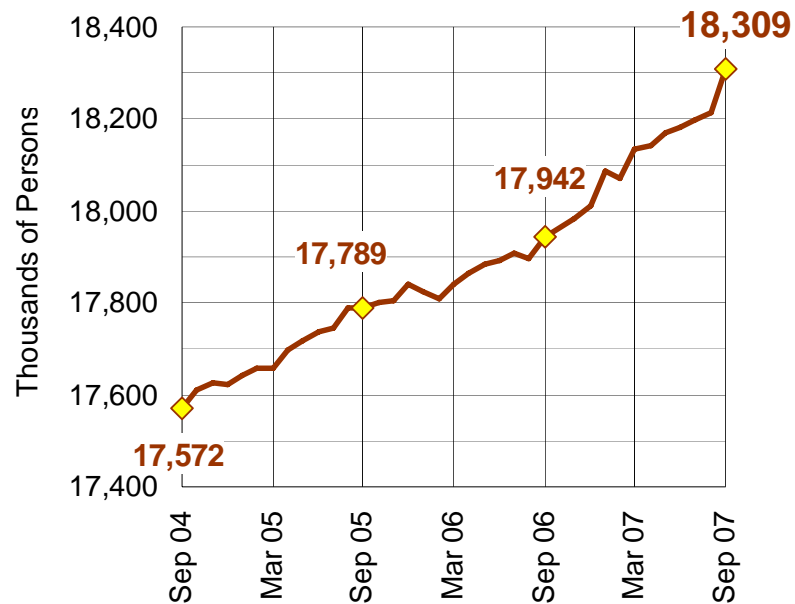


# California Current Trends

## Labor Force

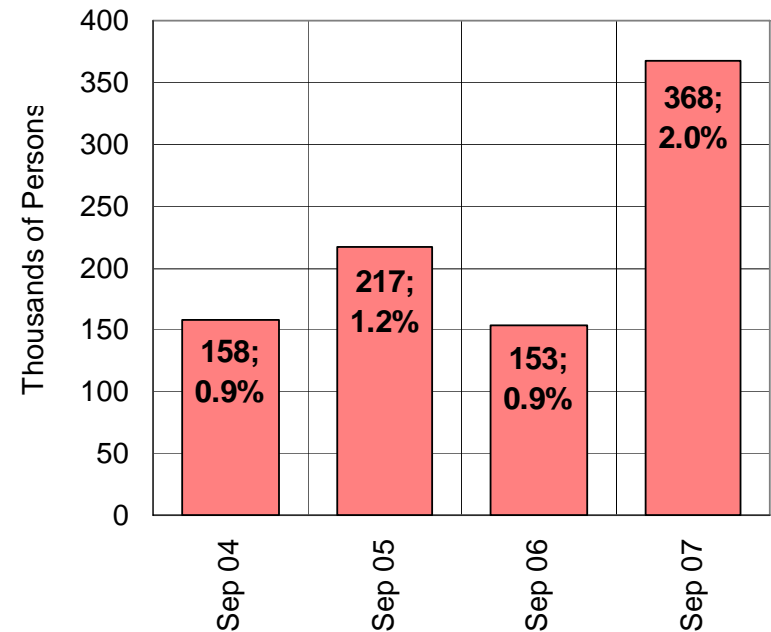
**California Labor Force:  
Three-Year Trend**

September 2007; Seasonally Adjusted Data



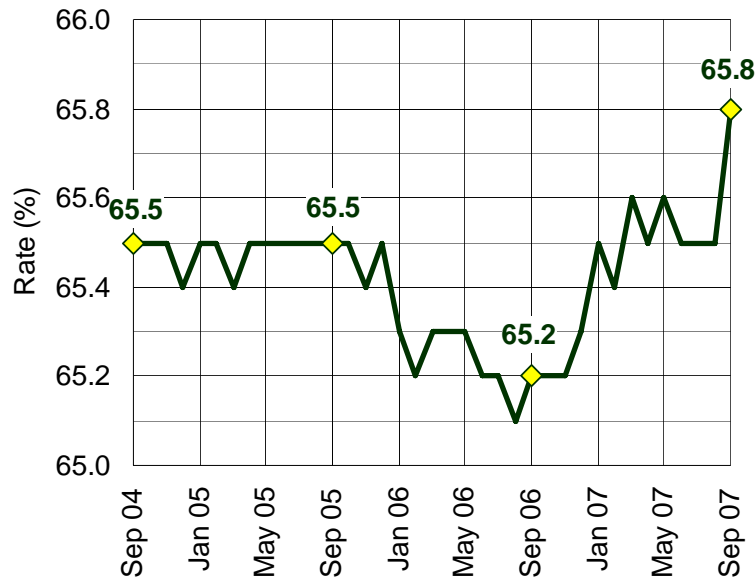
**Year-Over Changes in California Labor Force**

September 2007; Seasonally Adjusted Data



# California Industry Employment Labor Force Participation Rate

**California Labor Force Participation Rate:  
Three-Year Trend**  
September 2007; Seasonally Adjusted Data



- California labor force is growing at its most rapid rate since early 2001—the end of the high tech boom.  
State's 2.0 percent year-over growth compares to:
  - 1.1 percent growth in U.S labor force
  - 1.1 percent growth in working age population
- What is drawing so many people into the labor force?

# California Current Trends

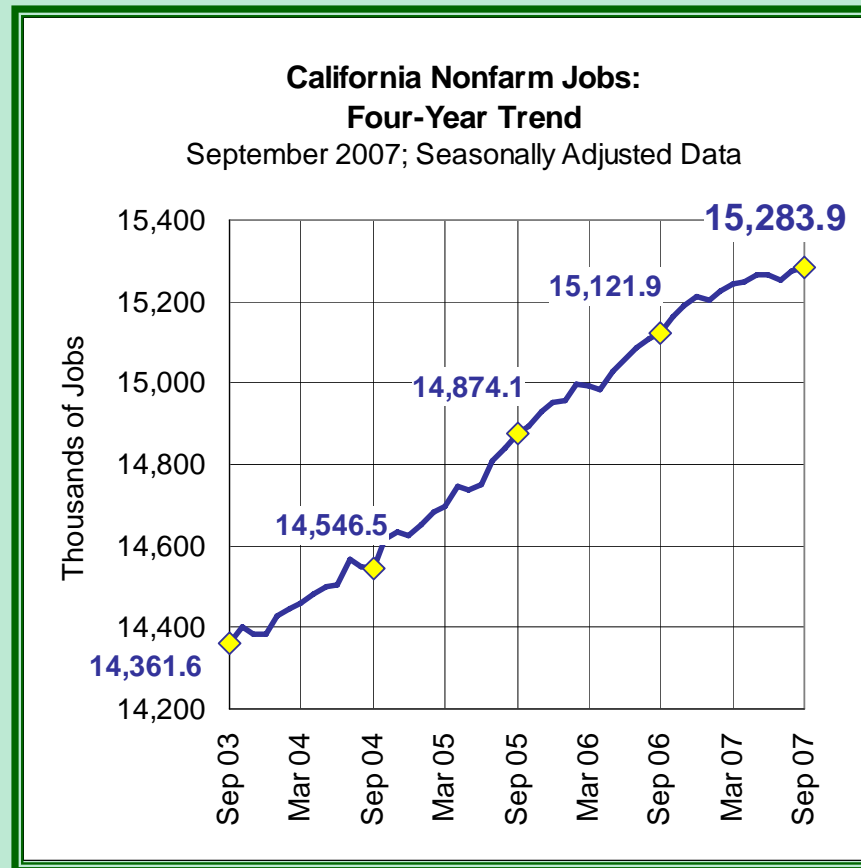
## Employment and Unemployment

### Concerns:

- Rapid labor force growth in an otherwise slowing economy suggests that model-related factors such as population assumptions are driving the growth.
- Increase in unemployment is likely overstated. Unemployment has been revised upwards every month this year through monthly “real time benchmark” revisions (range 1.3 to 4.9 percent).
- Variable estimates (noise) in model components in recent months.
- Balance of State and Los Angeles estimates tend to pull in opposite directions.

## California Current Trends Nonfarm Payrolls

- California's job gains since July 2003 total 926,700 jobs, an average growth pace of 18,500 jobs per month.

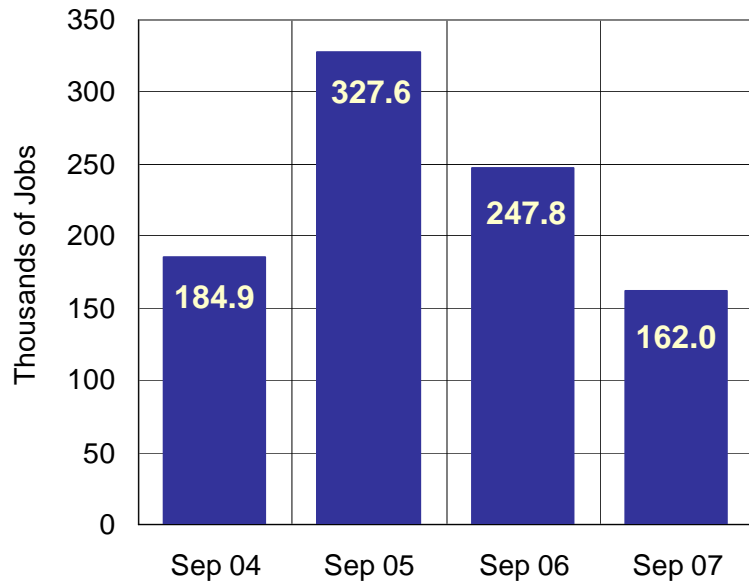


# California Current Trends

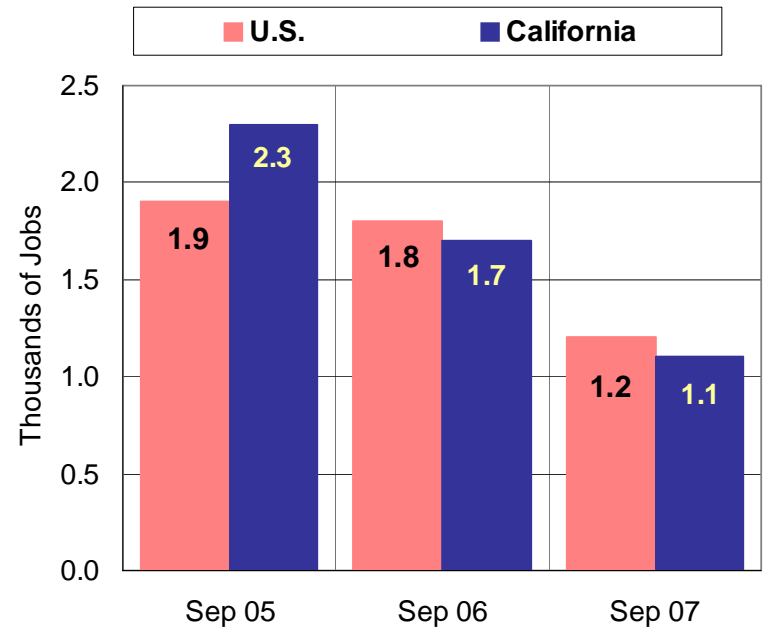
## Nonfarm Payrolls

- The pace of job growth is slowing both in California and the nation.

**Year-over Changes In Nonfarm Jobs**  
**September 2004 - September 2007**  
(Seasonally Adjusted Data)



**U.S. and California Nonfarm Employment:**  
**Year-Over Percent Changes in September,**  
**2005 - 2007**



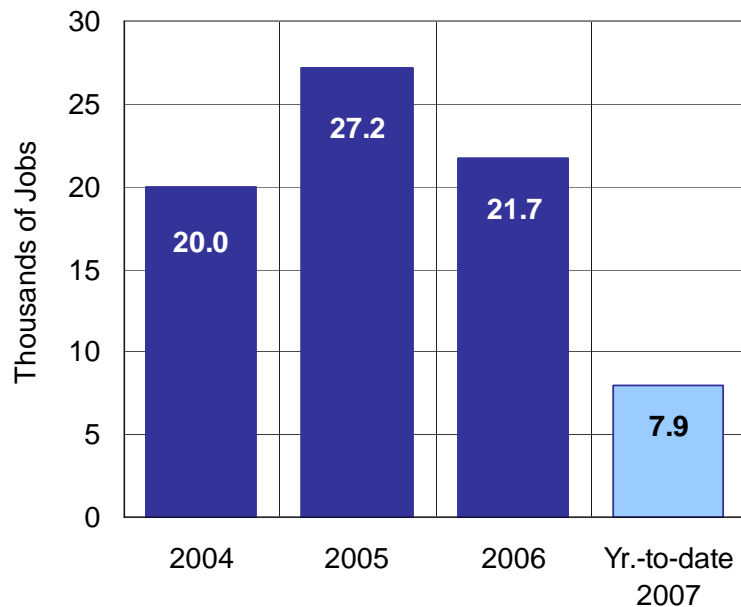
# California Current Trends

## Nonfarm Employment

- California's slowdown in job growth began in January and has been more pronounced than the nation's.

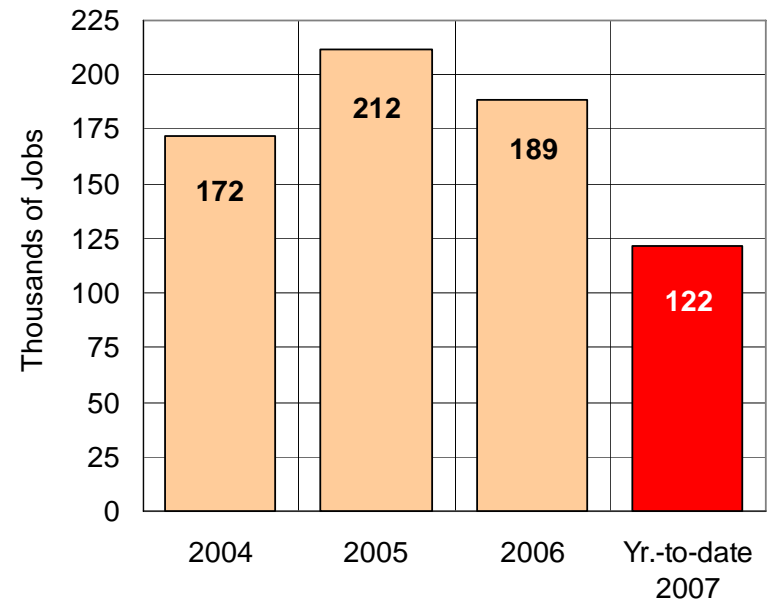
**Average Monthly Change In California  
Nonfarm Jobs**

September 2007; Seasonally Adjusted Data



**Average Monthly Changes In U.S.  
Nonfarm Jobs**

September 2007; Seasonally Adjusted Data

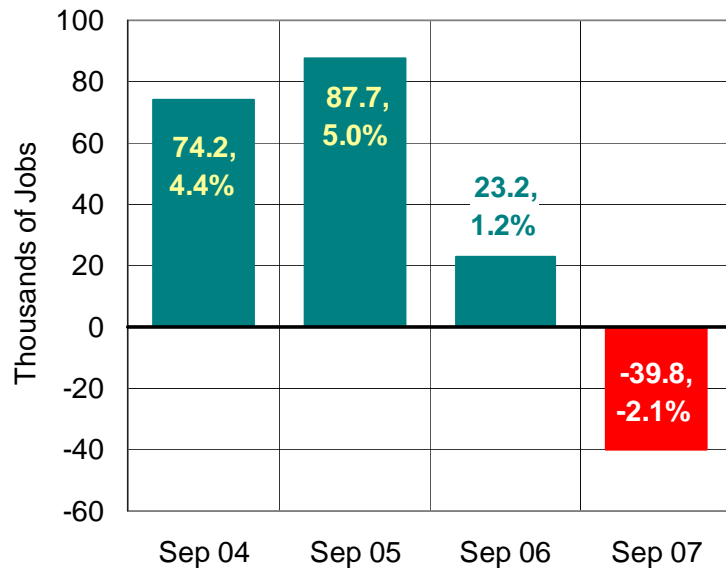


# California Current Trends

## Nonfarm Payrolls

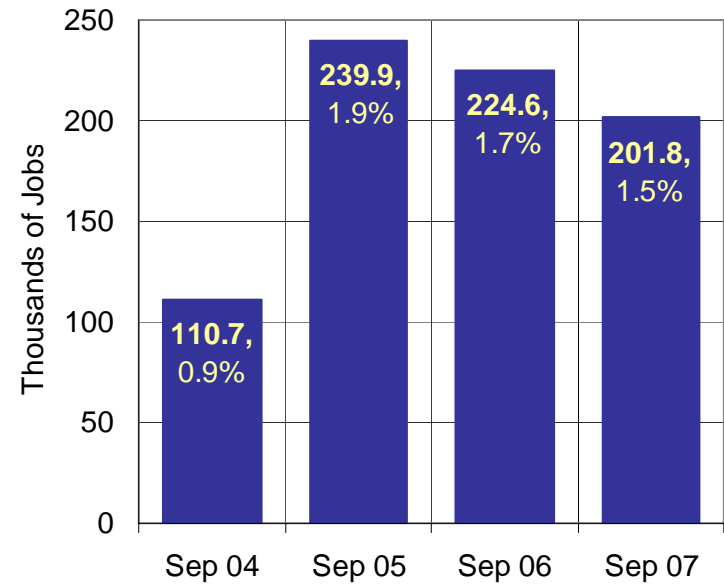
- The slowdown has been concentrated in housing-oriented industry sectors, which are now a drag on the economy.

**Year-Over Changes in Number of  
Construction and Financial Activities Jobs**  
September 2004 - September 2007  
(Seasonally Adjusted Data)



**Year-Over Changes in Nonfarm Jobs  
Excluding Construction and Financial  
Activities**

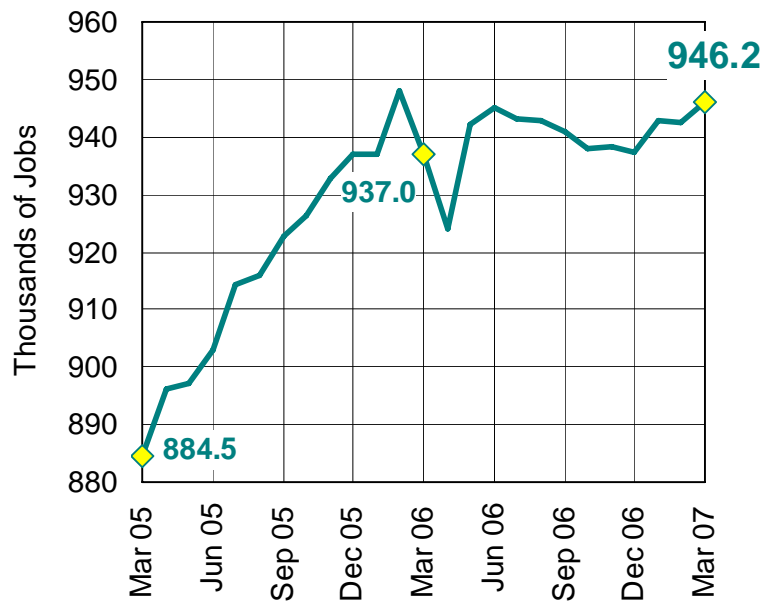
September 2004 - September 2007



# From April 26, 2007 Presentation

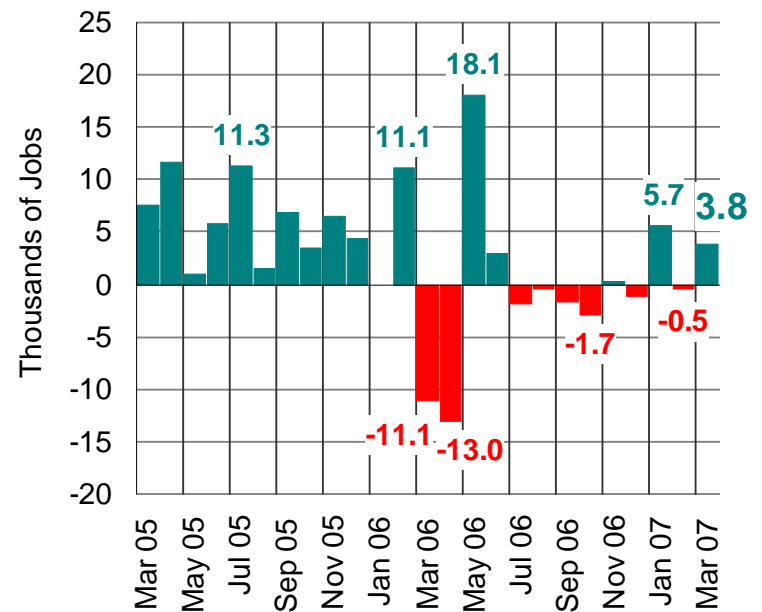
## California Construction Jobs: Two-Year Trend

March 2007; Seasonally Adjusted Data



## Month-Over Change in California Construction Jobs

March 2007; Seasonally Adjusted Data

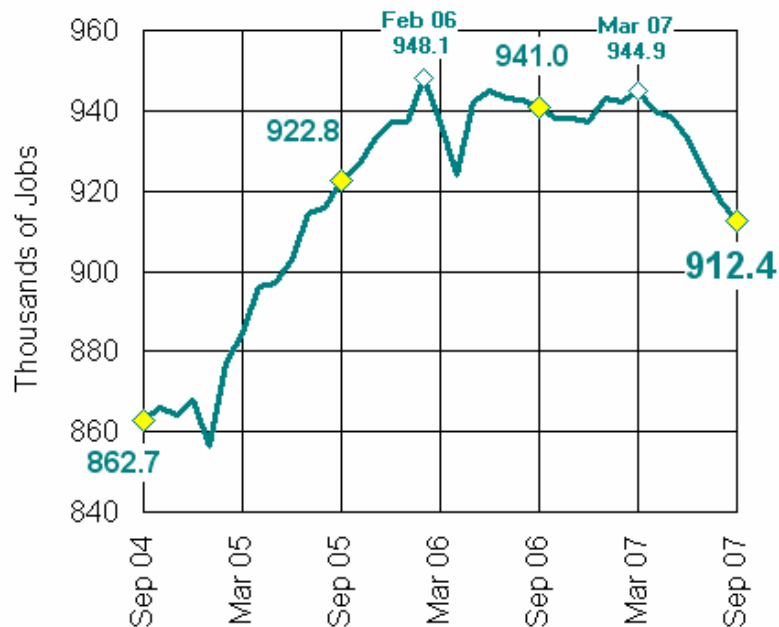


# California Industry Trends

## Construction Payrolls

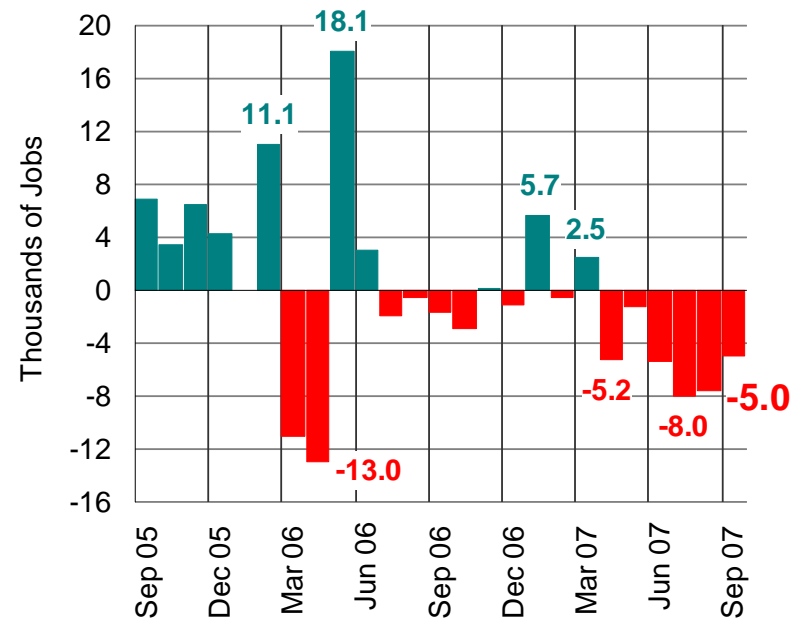
**California Construction Jobs:  
Three-Year Trend**

September 2007; Seasonally Adjusted Data



**Month-Over Changes in California  
Construction Jobs**

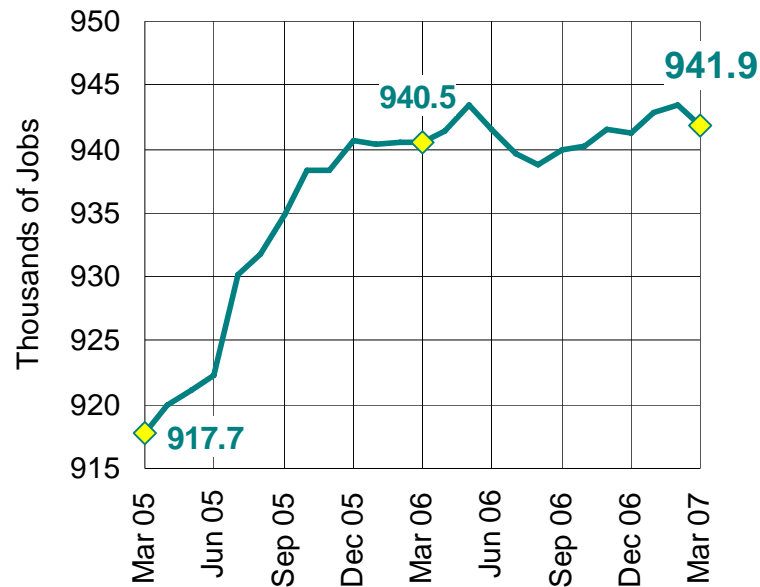
September 2007; Seasonally Adjusted Data



## From April 26, 2007 Presentation

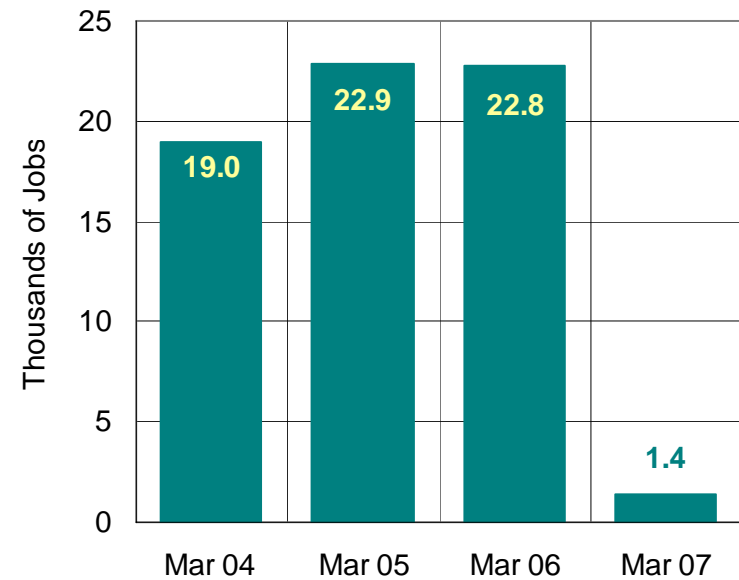
### California Financial Activities Jobs: Two-Year Trend

March 2007; Seasonally Adjusted Data



### California Financial Activities Year-Over Changes In Jobs

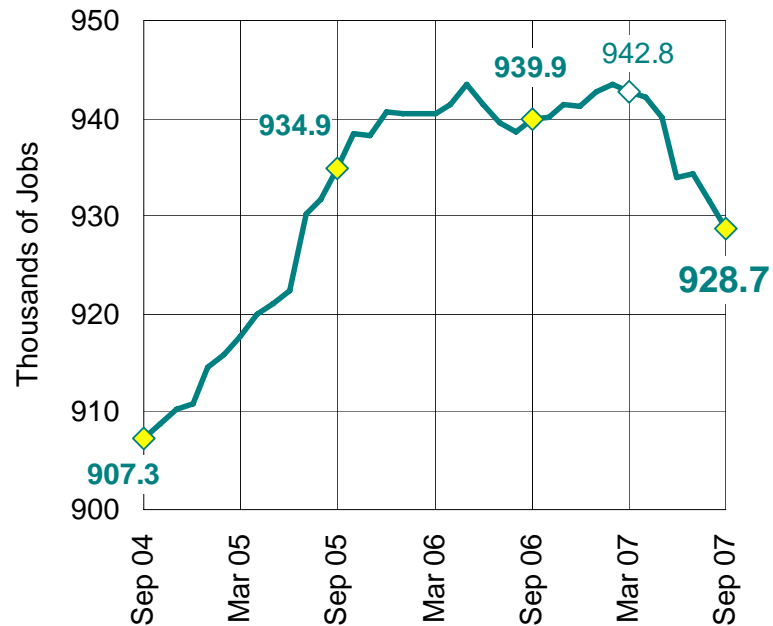
March 2004 - March 2007



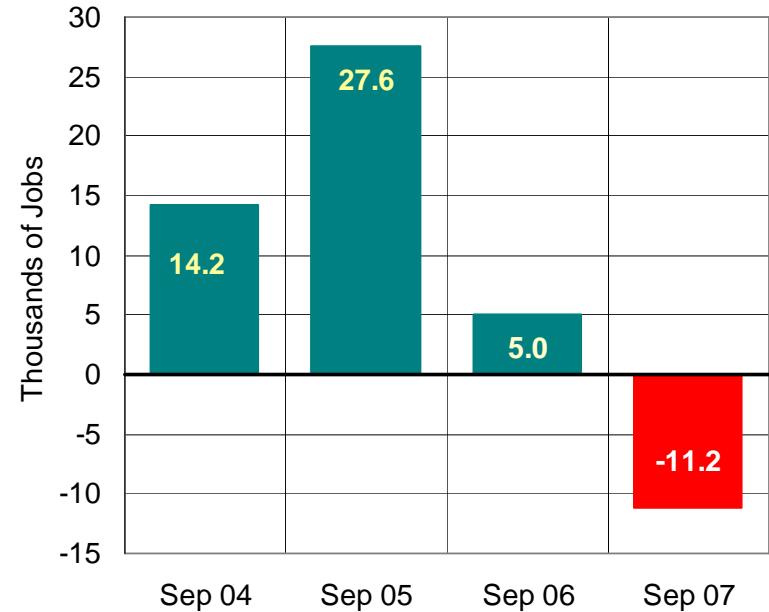
# California Industry Trends

## Financial Activities Payrolls

**California Financial Activities Jobs:  
Three-Year Trend**  
September 2007; Seasonally Adjusted Data



**California Financial Activities  
Year-Over Changes In Jobs**  
September 2005 - September 2007



# California Current Trends

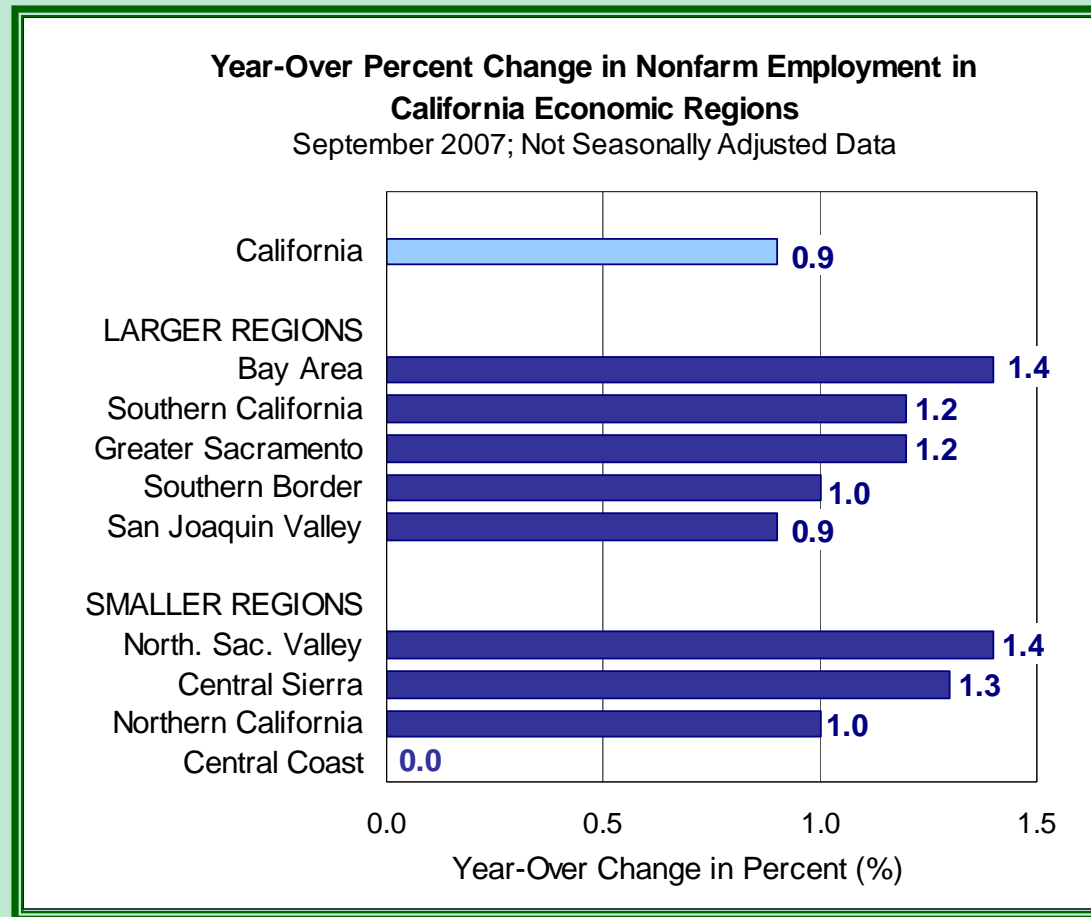
## Industry Jobs

- Have housing woes spread to other industries? Evidence is mixed.

Comparison of Year-Over Industry Job Growth in California September 2007 vs. September 2006						
	<u>September 2006</u>		<u>September 2007</u>		<u>Difference</u> (Sep 07 less Sep 06)	
	Number	Percent	Number	Percent	Number	Percent
Total Nonfarm	247.8	1.7	162.0	1.1	-85.8	-0.6
Natural Resources and Mining	1.7	7.1	-0.1	-0.4	-1.8	-7.5
Construction	18.2	2.0	-28.6	-3.0	<b>-46.8</b>	<b>-5.0</b>
Manufacturing	-12.0	-0.8	-4.5	-0.3	7.5	0.5
Trade, Transportation and Utilities	48.5	1.7	15.4	0.5	<b>-33.1</b>	<b>-1.2</b>
Information	-1.7	-0.4	7.2	1.5	8.9	1.9
Financial Activities	5.0	0.5	-11.2	-1.2	<b>-16.2</b>	<b>-1.7</b>
Professional and Business Services	74.5	3.4	29.8	1.3	<b>-44.7</b>	<b>-2.1</b>
Educational and Health Services	37.9	2.4	48.5	3.0	10.6	0.6
Leisure and Hospitality	41.3	2.8	42.8	2.8	1.5	0.0
Other Services	4.2	0.8	9.3	1.8	5.1	1.0
Government	30.2	1.2	53.4	2.2	23.2	0.9
Key:						
Improvement.			Worsening.			

# California Current Trends

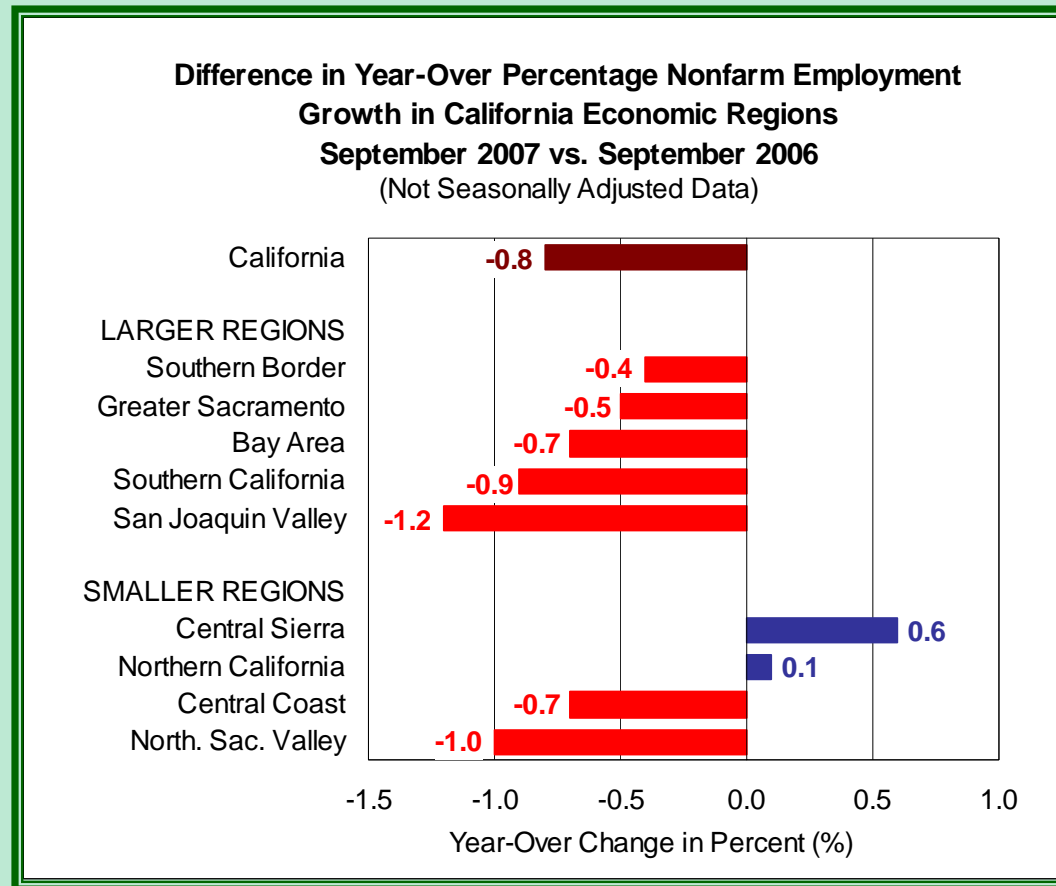
## Regional Jobs



# California Current Trends

## Regional Jobs

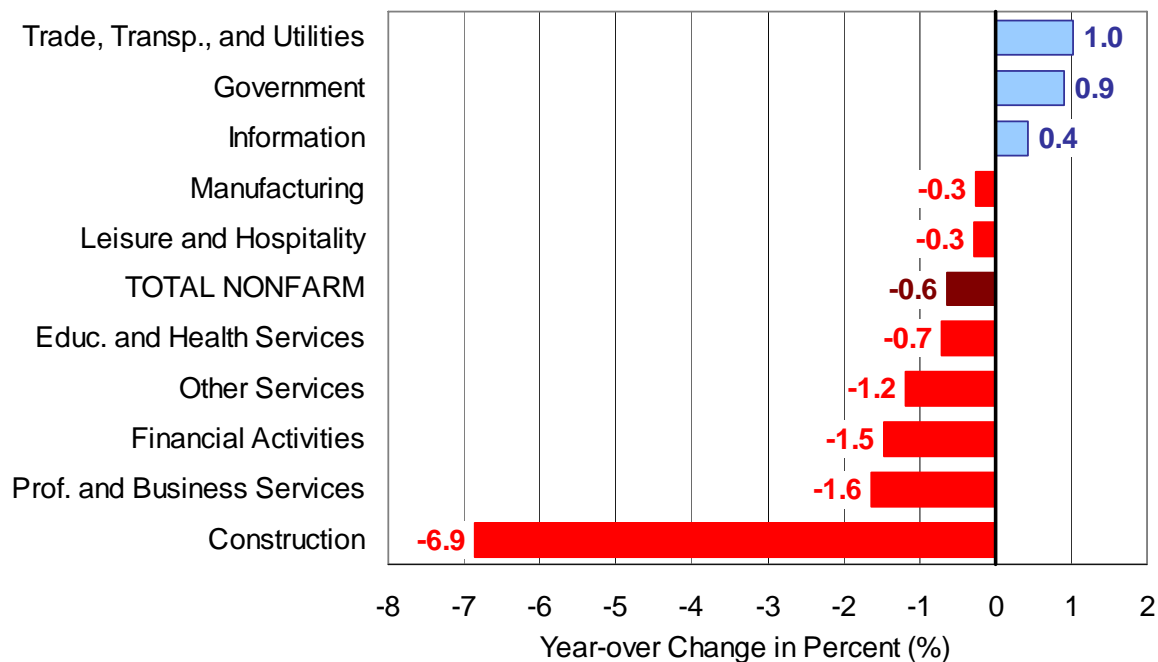
- Seven out of California's nine economic regions have experienced a slowdown in job growth over the last year, including all large regions.



# California Regional Industry Trends

## Bay Area

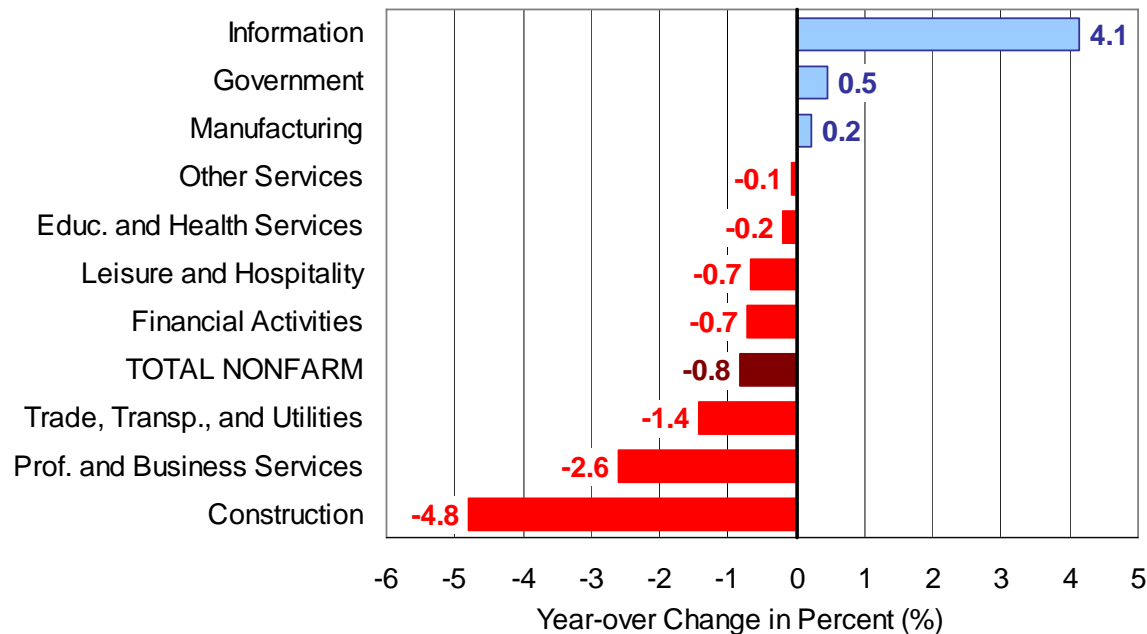
**BAY AREA REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

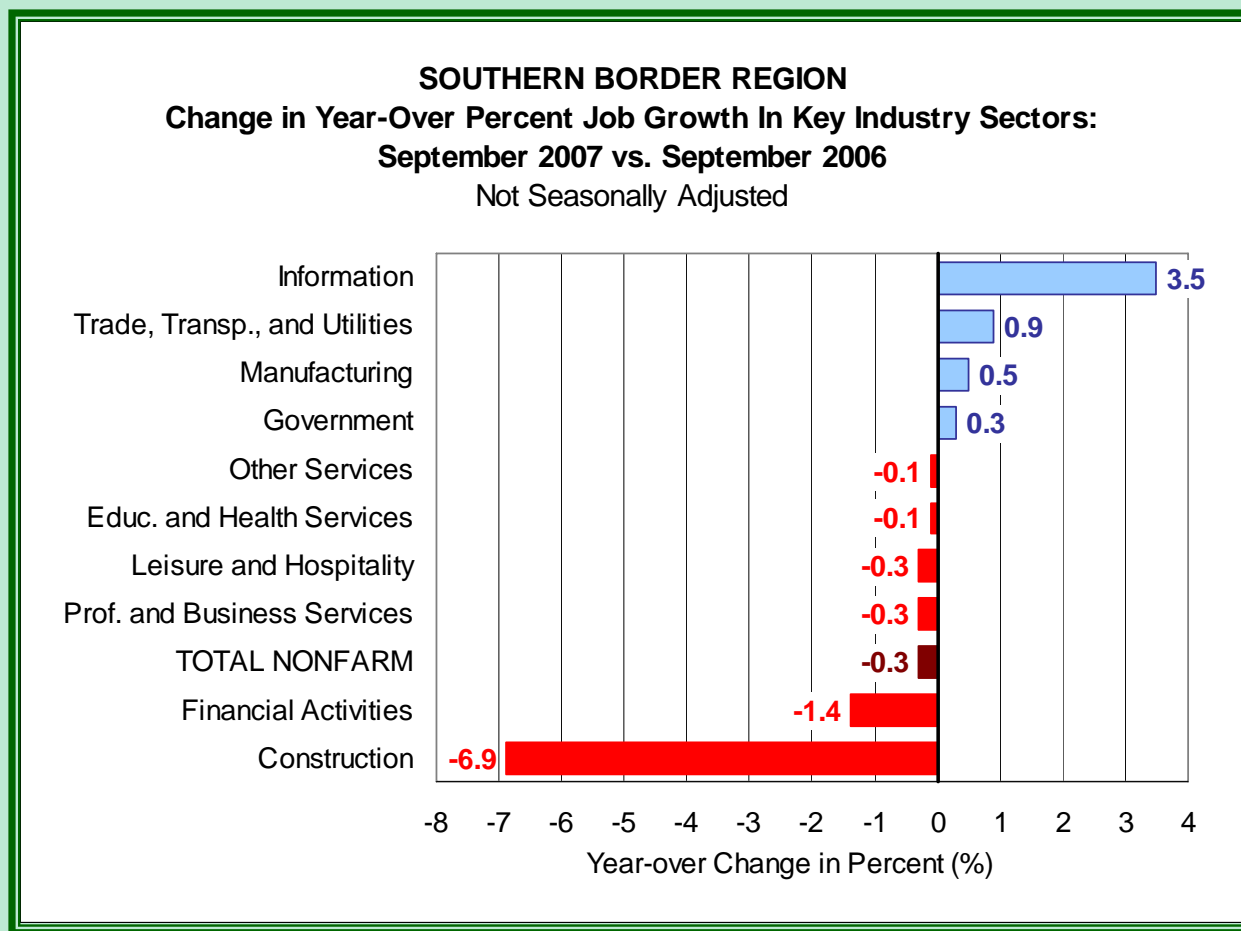
## Southern California (L.A. Basin)

**SOUTHERN CALIFORNIA REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

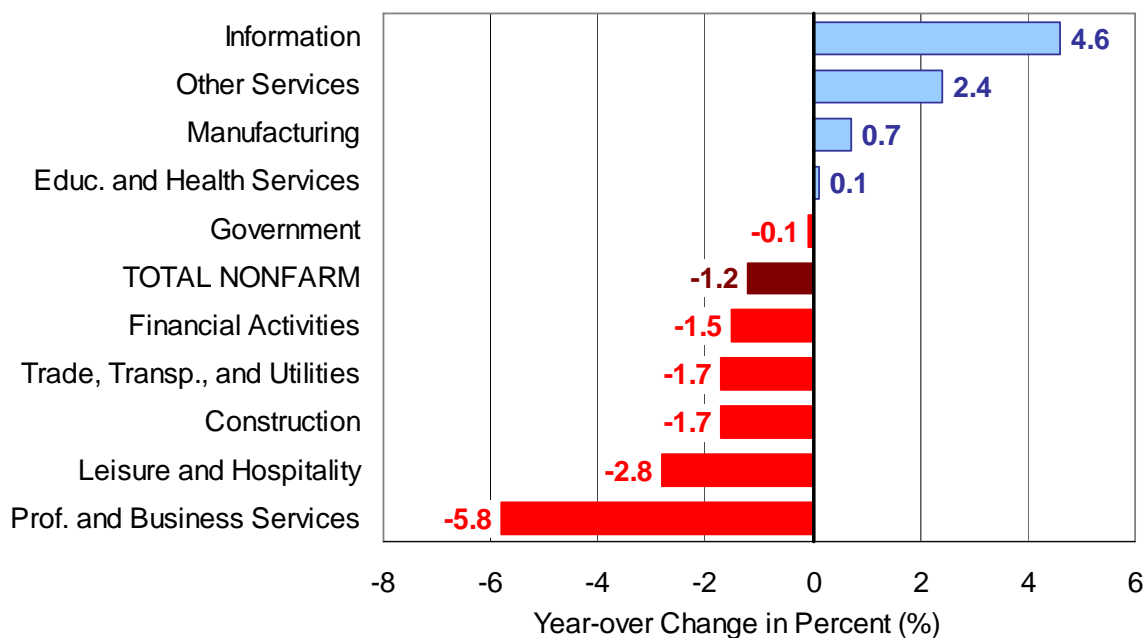
## Southern Border (San Diego)



# California Regional Industry Trends

## San Joaquin Valley

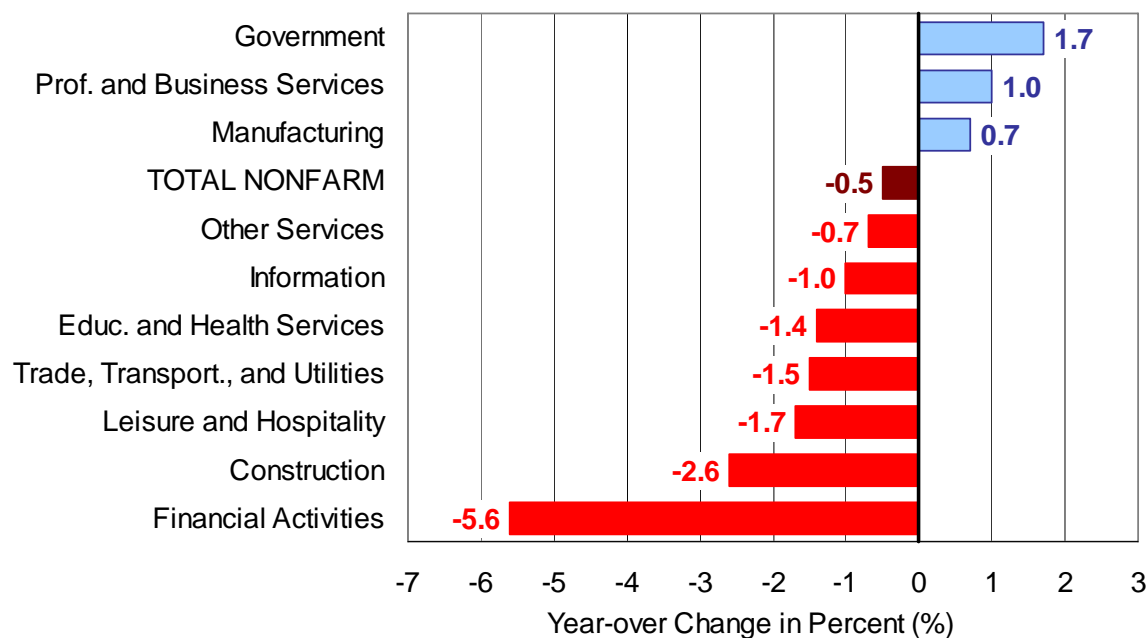
**SAN JOAQUIN VALLEY REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

## Greater Sacramento

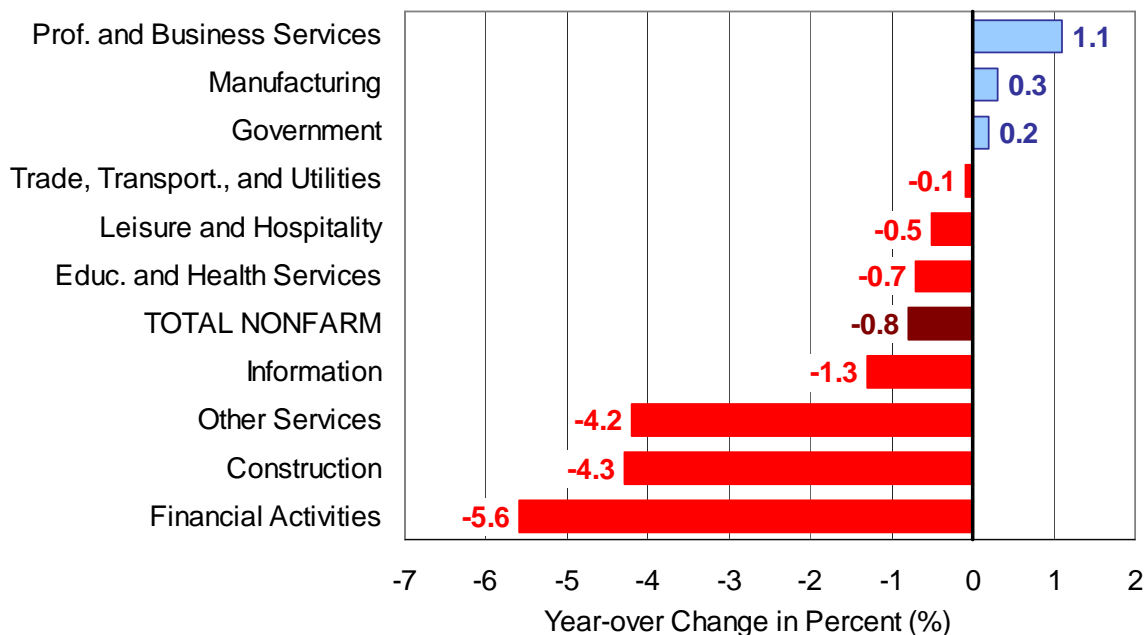
**GREATER SACRAMENTO REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

## Central Coast

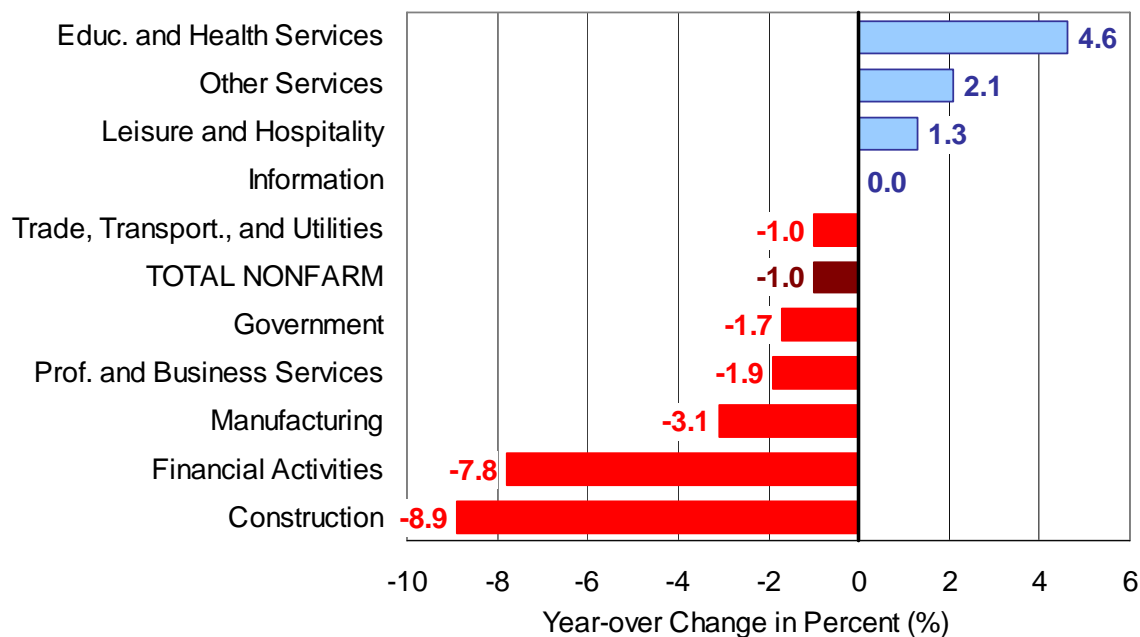
**CENTRAL COAST REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

## Northern Sacramento Valley

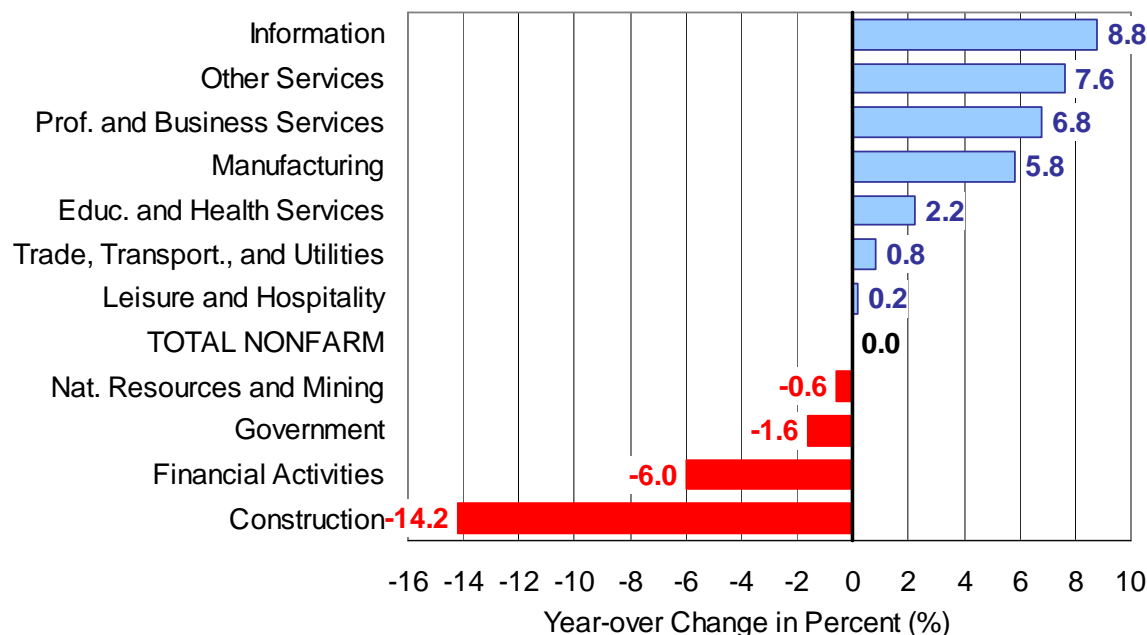
**NORTHERN SACRAMENTO VALLEY REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

## Northern California

**NORTHERN CALIFORNIA REGION**  
**Change in Year-Over Percent Job Growth In Key Industry Sectors:**  
**September 2007 vs. September 2006**  
Not Seasonally Adjusted



# California Regional Industry Trends

## Central Sierra

